



Legislation Text

File #: 19-1099, **Version:** 1

DATE: September 24, 2019

TO: Members of the Housing & Redevelopment Authority

FROM: Janine Atchison, Housing Coordinator

Home Matters Residential Rehabilitation Program

SUMMARY AND ACTION REQUESTED:

The Housing & Redevelopment Authority (HRA) to review and adopt proposed changes to the Home Matters Homeowner Rehabilitation Program.

BACKGROUND:

The City of Northfield utilizes Community Development Block Grant (CDBG) funds to maintain the existing housing stock through their Home Matters Residential Rehabilitation Program. The program allows income eligible homeowners to borrow up to \$10,000.

The current Home Matters Residential Rehabilitation Program provides up to \$10,000 in assistance to homeowners whose income is 80% or less of the Area Median Income (AMI) for allowed home repairs.

Qualified improvements or repairs include:

- Roof & Gutter Replacement,
- Foundation repairs,
- HVAC systems (heating/AC),
- Electrical, and
- Plumbing.

Total Project Cost - \$1 - \$5000: Homeowner to contribute 50% of total project costs.

Total Project Cost - \$5001 or more: Homeowner to contribute 33% of the total project costs.

Total loan/grant not to exceed \$10,000 per property/family. Financial assistance is in the form of a zero percent interest, deferred loan which may be forgivable after 5 years of continued home ownership.

In 2018, four Northfield households received assistance totaling \$18,905 for projects costing a total of \$31,381.41. Staff is currently working on 2 applications for 2019. The City of Northfield has struggled to utilize CDBG funds in a timely manner and funds have been recaptured by the CDA as a result.

The City of Northfield currently has a CDBG fund balance of \$31,584 for the residential rehab program.

ANALYSIS:

Due to the high cost of housing rehabilitation and stagnation of wages, low income households are finding it very difficult to finance even 33% of rehab costs. Overall rehab costs have gone up significantly, far exceeding

the \$10,000 limit set by the Northfield Program. Families and seniors are forced to defer important housing maintenance that can put them at risk. Deferred maintenance also lowers property values.

With current rules and restrictions, the City of Northfield has struggled to utilize CDBG rehab funds in a timely manner which resulted in just over \$11,000 in available CDBG funds to be recaptured by the CDA in 2018. Making strategic changes to existing program rules and regulations should ensure that all allotted CDBG funds are utilized according to HUD and CDA regulations for timeliness.

The CDA has recommended the City of Northfield alter its Residential Rehab Program to align more with other area programs.

- Dakota County Residential Rehab Program - Zero percent interest, deferred home improvement loans which is repayable when ownership changes, mortgage is refinanced or the borrower moves from the property. Loan amount \$15,000 minimum and \$25,000 maximum. Maximum income 80% of area median income (AMI)
- MHFA Rehab Loan Program for extremely low income (30% AMI). Maximum loan \$27,000. Loan Term is 15 years for properties taxed as real property and 10 years for mobile/manufactured homes taxes a personal property located in a mobile home park. Loans are forgiven unless sell, transfer title or cease to occupy.
- MHFA Fix Up Loan - Income Limit: \$141,000 Twin City Metro and \$125,900 all other Counties - Maximum Rehab Amount: \$50,000
- Rural Repair & Rehab Grant and Loan - Loans up to \$20,000. Grants up to \$7,500 for persons 62 or older. Loans/Grants combined up to \$27,500.
- Center for Energy & Environment - Loans up to \$20,000 at current interest rate for up to 10 years. No income limit.

Staff suggests that the City of Northfield consider a zero percent interest, deferred loan program that is repayable when ownership changes, mortgage is refinanced or the borrower moves from the property.

- Minimum Loan \$5,000
- Maximum Loan \$20,000
- Maximum income 80% or less of area AMI

A mortgage deed would be filed with Rice or Dakota County with each loan to insure repayment. Repayments would then fund additional loans much like the current process for down payment assistance loans.

Qualified improvements or repairs include:

- Roof & Gutter Replacement,
- Foundation repairs, walkways/driveways
- HVAC systems (heating/AC),
- Electrical, and
- Plumbing.

OPTIONS:

One consideration would be to forgive 50% of the loan (up to \$10,000) for households with income at 60% or less of AMI after 10 years. This tactic may require additional legal and filing fees.

RECOMMENDATION:

Staff recommends the HRA consider support for administrative changes to the Home Matters Residential Rehab Program as suggested.